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SUBJECT: ROKG ANNOUNCES FOUR-YEAR "GREEN NEW DEAL" TO INVEST USD 38
BILLION TO CREATE NEARLY ONE MILLION GREEN GROWTH JOBS

¶1. Summary: The South Korean government has announced that it will invest 50 trillion won (USD 38.1 billion) over the next four years on environmental infrastructure projects in a "Green New Deal." The program, comprising nine major projects and 27 secondary projects, is intended to spur slumping economic growth and create nearly one million jobs. The Green New Deal demonstrates the government's belief that investing in eco-friendly projects is not only good for the environment, but also is good for the economy. Draft legislation that includes the Green New Deal is expected to be submitted to the National Assembly in March. Environmental groups, although generally pleased with the program, have raised questions about funding and whether the proposed projects are really new or just previous proposals recycled into a new package. However, many of the projects are new, and although several others predate the announcement of the Green New Deal, they have been expanded and will receive additional funding. End summary.

Job Creation Program Linked to Green Growth

¶2. President Lee Myung-bak's Government announced a "Green New Deal" program on January 6 to create jobs especially targeted to low-income earners. The plan had been approved at a Cabinet meeting earlier that day. Although South Korea's unemployment rate stands at only 3.2 percent, it is expected to increase in the coming months as the economy continues to slow. GDP grew in 2008 at an annual rate of 2.5 percent, but declined by 3.4 percent in the final quarter as Korea felt the effects of the global downturn, and the Government's current projection is for the Korean economy to shrink by 2.0 percent in 2009. "We are in unprecedented global economic crisis," Prime Minister Han Seung-soo said in the January 6 statement, "We must respond to the situation in an urgent manner."

¶3. The projects envisioned in the Green New Deal represent a medium-term (2009-2012) action plan to serve as part of President Lee Myung-bak vision of a "low-carbon and green growth" economy, unveiled in August 2008, to combat global climate change and to nurture Korea's economic growth. The Green New Deal projects will be funded by both Korea's central and provincial governments, along with the private sector. Several of the projects complement and some overlap with the "Seventeen New Growth Engines" that will contribute to the country's economy over the next 5-10 years announced last September by the Ministry of Knowledge Economy, and which are a separate longer-term strategy for spurring Korea's economic growth. (Requested funding for the New Growth Engines is also part of the draft legislation that includes the Green New Deal and is expected to be submitted to the National Assembly in March.)

The Details of the Deal

¶4. The following paragraphs outline the main elements of the 9 major activities, as outlined in a ROKG briefing paper.

A) Restore the nation's four major rivers: The Green New Deal calls for the central and provincial governments, as well as the private sector, to invest 18 trillion won (USD 13.7 billion) for dredging the countries four major rivers -- the Han, the Yeongsan, the Geum, and the Nakdong -- reinforcing their embankments, and cleaning up their surrounding areas. This project also includes

building 1,297 kilometers of bicycle trails alongside the rivers and linking them with existing bicycle paths. The project is expected to create 280,000 new jobs. The government expects the bicycle trails to generate tourism revenue and hopes that the pristine ecosystems near the demilitarized zone and the scenic views along the coastline will attract not only domestic but also foreign tourists on these sections of the new trails. (Note: this is the largest of the projects associated with the Green New Deal program.)

B) Build-up the nation's green transportation networks: The central and provincial governments will funnel a total of 11 trillion won (USD 8.4 billion) into the construction of high-speed railways linking Seoul and southern port cities of Busan and Mokpo, and establishing a bus rapid transit system in big cities. These projects, expected to create 160,000 jobs, were already on the drawing board, but implementation will be stepped up under the Green New Deal.

C) Build-up the nation's Geographic Information System (GIS): The central and provincial governments plan to invest 700 billion won (USD 500 million) in a project that will combine the nation's GIS data base on real estate and infrastructure, and integrate management systems for energy usage by buildings. This project is expected to create 20,000 jobs, mainly in the high-tech sector.

D) Construction of small-scale dams and reservoirs: Plans include the construction of several small-scale dams for flood control and the building of 96 water reservoirs to secure clean drinking water sources throughout the country. The central and provincial governments and private sector will invest two trillion won (USD 1.5 billion) in these projects, which are expected to generate 30,000 new jobs.

E) Expand R&D into clean energy and "green vehicles": The central government will invest two trillion won (USD 1.5 billion) in this program to create 15,000 jobs. Projects include expanded R&D for new and renewable energy such as solar, geothermal, and wind energy. Green vehicle projects include replacing diesel-powered city buses with compressed natural gas (CNG) buses, and continued R&D into hybrid vehicles and hydrogen fuel cell vehicles. (Note: Separately, the Hyundai-Kia Motors Group is devoting substantial resources into production of its Liquefied Petroleum Injected (LPI) Hybrids using lithium batteries with mass production beginning in July. The private company is also continuing its own research and development of hydrogen powered cars. End note.) A related project is to speed up the development of bio-ethanol production technology for use as vehicle fuel.

F) Expand waste recycling: Projects include constructing 27 landfills with methane collection facilities, 43 organic waste-to-gas or other refuse-derived fuel facilities, and 42 plants for generating electricity or heat from waste incinerators. In addition, "waste-to-energy towns" to be constructed adjacent to several of the new facilities will use the heat, electricity, and gas generated by the facilities, as well as provide residences for plant employees. Central and provincial government investment of 3 trillion won (USD 2.9 billion) in this project should create 50,000 jobs.

G) Increase Reforestation and Utilize Forest Biomass: The government plans to expand the area designated for reforestation from the current 235,000 hectares to 340,000 hectares. It will also improve forest management by increasing the number of workers engaged in forest protection activities. And it will construct facilities to use waste forest biomass from pruning and cleaning of undergrowth. The central government will invest three trillion won (USD 2.9 billion) in this project, which is expected to generate 230,000 related jobs.

H) Construct "green homes" and improve public buildings: Projects include building two million green homes equipped with solar power and energy efficiency devices and installing energy-saving window frames and replacing asbestos-containing insulation materials in more than 2000 school buildings. Another related project is to replace regular light bulbs in public buildings with energy-efficient LED lighting. More than 9 trillion won (USD 6.8 billion) from the central and provincial governments will be

expended on this project, which should create 150,000 jobs. (Note: The private sector undoubtedly will play a role in these projects as well, but was not specifically mentioned in this part of the briefing paper. End note.)

I) Create more green leisure spaces: Projects include the clean-up and restoration of small rivers and streams running through cities and towns. Concrete block embankments will be replaced with earth and stone, and gravel roads will be constructed atop the new embankments. The new green leisure spaces will be used as mini-parks by local residents. The provincial governments will lead these projects and plan to invest 600 billion won (USD 457 million) to create 15,000 jobs.

Funding and Implementation

¶5. The government's draft funding schedule shows that of the combined amount of 50 trillion won (USD 38 billion) to be invested over the next four years, the central and provincial government will provide 37.5 trillion won (USD 28.7 billion) and 5.3 trillion won (USD 4.3 billion), respectively. The remaining 7.2 trillion won (USD 5.4 billion) is expected to come from the private sector. As yet, there is no further breakdown of funding sources for the various projects other than what is outlined in the above paragraphs. After the government's announcement of the Green New Deal, the Ministry of Strategy and Finance (MOSF) said in its news briefing that the government has already secured 4.4 trillion (USD 3.4 billion) for this year's projects. Requested funding for the remaining four years is included in the draft legislation that is expected to be submitted to the National Assembly in March.

¶6. On February 16, the government combined three existing national committees - the Climate Change Committee, the Sustainable Development Committee (both under the Prime Minister's Office), and the Energy Committee (under the President's Office) - to form a new national "Low Carbon and Green Growth Committee" under the President's Office to oversee the maturation of the Low Carbon and Green Growth plan. A new task force composed of interagency members under the Low Carbon and Green Growth Committee will coordinate the Green New Deal projects among the 11 implementing ministries and set out project priorities and allocate project budgets.

¶7. According to the government news briefing, the projects will be implemented in a manner that balances development of local regions. Many of the projects slated to begin now are, in fact, updated versions of existing projects already underway, such as the continuing research and development of clean energy sources and local rehabilitation and restoration activities in and around the nation's four major rivers. The government plans to implement brand new projects beginning in the second half of this year after a master blueprint is set out in May.

Public Reaction

¶8. While there appears to be general public support for the overall goals of the Green New Deal program, concerns have been voiced over some of the specifics, amid suspicions that the government may be overselling the initiative to respond to public concern about the slowing economy.

¶9. Local NGOs - an important voice in the Korean environmental community -- generally view the Green New Deal favorably because of its focus on green issues. While they welcome the opportunity for low-income earners to find jobs, however, some have expressed unhappiness that so many of the jobs created under the Green New Deal (95 percent by one NGO's estimate) are for unskilled, manual labor of temporary duration. They suspect the government of attempting to assist struggling Korean construction companies instead of designing a jobs program more balanced towards creating skilled jobs for college graduates. Although Korean NGO's routinely suspect the government of hidden motives, it is true that only about 50,000 of the nearly one million jobs created under the Green New Deal will be for skilled workers, and the vast majority of unskilled jobs will be in the construction sector.

¶10. Environmental NGOs are especially cautious about the project to restore Korea's major rivers - the biggest single component of the

Program. Many fear the river restoration project could lead to resurrection of President Lee's plans to build a Grand Canal (President Lee proposed last year to build a 3,100 kilometer-long network of waterways connecting major rivers in South Korea, but shelved the plan in May, following growing public criticism). The Korean blogosphere contains pieces critical of the river restoration project, equating it with the Grand Canal scheme.

Media Commentary

¶11. More than one month since the announcement of the Green New Deal, the media is generally commendatory of the proposed program New Deal and the associated draft legislation of which it comprises a part. Noting that the government's approach to green growth is not a single plan, but a series of strategies, recent newspaper articles have emphasized the "greenness" of the Green New Deal - its energy efficient home construction, LED lighting, low pollution cars, expanded mass transit, and investment in new and renewable energy research. Initially, however, some local papers had criticized the program for simply collecting and listing projects that were already being undertaken and selling them to the public as something new. In fact, several of the projects were already planned or under various stages of implementation before the announcement of the Green New Deal - among them, the build-up of the green transportation networks, the investment in R&D for green vehicles, the reforestation project, and the construction of waste recycling facilities.

¶12. However, according to former Minister of Finance Kang Man-soo, who spoke on this subject on February 12 (just before being moved to the Chairmanship of the Presidential Council on National Competitiveness), the intention of the Green New Deal is to pull together projects from the various ministries and agencies - along with new projects - so they could be integrated, implemented, and managed systematically. Moreover, nearly all the "old projects" are getting a boost from the Green New Deal, as they will be expanded, receive additional funding, or have their implementation accelerated. The increase in the numbers of hectares to be reforested is one explicit example. Ongoing R&D into new and renewable energy will get a substantial increase in central government funding. Waste recycling facilities were already being constructed by local governments; the Green New Deal will provide central government funding for more of them. Last year the government announced its initiative to begin installing LED lighting in public buildings; under the Green New Deal the conversion in government buildings to LED lighting must be completed by the end of ¶2009.

¶13. Other media concerns have focused on the budget: with the government's first-year outlays for the four year program covering only one tenth of the total projected 4-year spending (4.4 trillion won of the 50 trillion won total), some wonder if the government will actually fund the program to the extent it has announced. The 4.4 trillion won for this year, in fact, is funding that had already been allocated to ministries for ongoing projects. The government has now combined the Green New Deal proposals with an earlier draft law - the Basic Law on Climate Change (which aims to reduce greenhouse gas emissions primarily by expanding nuclear energy and investing in new and renewable energy), along with the New Growth Engines proposal to submit to the National Assembly in a single funding package. Several National Assembly contacts told us that the draft legislation will undoubtedly be revised to some extent, but they expect the basic provisions to pass at the approximate requested funding levels.

¶14. Comment: Although the Green New Deal is a medium-term measure to provide jobs to South Korea's growing ranks of unemployed, its focus on "green projects" is an indication of President Lee's determination to use the current difficult economic situation as an opportunity to build up a Low Carbon, Green Growth economy over the long term. As yet, however, the Green New Deal is only a plan, and the details still need to be worked out. As the various projects move toward implementation, issues related to sharing costs between central and local governments and the private sector will become clearer, and potential opposition to some projects, such as the river restoration project, may delay or halt their implementation. That said, while the obstacles facing Korea in creating a low

carbon, green growth economy are considerable, Korea has a proven track record of marshalling national resources to accelerate development and approach advanced-economy benchmarks. With the low-carbon, green-growth concept potentially presenting an answer to Korea's deep-seated concerns about resources, competitiveness, and economic recovery, the "Green New Deal" will bear watching as Korea tries to move forward on its ambitious plans to transform itself into a Low Carbon, Green Growth economy.

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